Professional Builder & Remodeler

THE ONE MAGAZINE FOR THE DIVERSIFIED BUILDER

NOVEMBER 1, 1990

BEST MODEL HOMES

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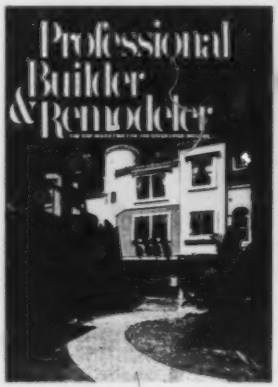


On The Cover

■ Corta Bella in Irvine, Calif., touted as the first "Euro-villa" residential development in this country, has motor court spaces designed for a mix of vehicles and pedestrians. Built by RGC, Newport Beach, these "outdoor rooms" also create a sheltered micro-climate blocking the wind and sun. Photography by John Bare.

Top-selling model homes: p. 70.

Creative infill site: p. 27.

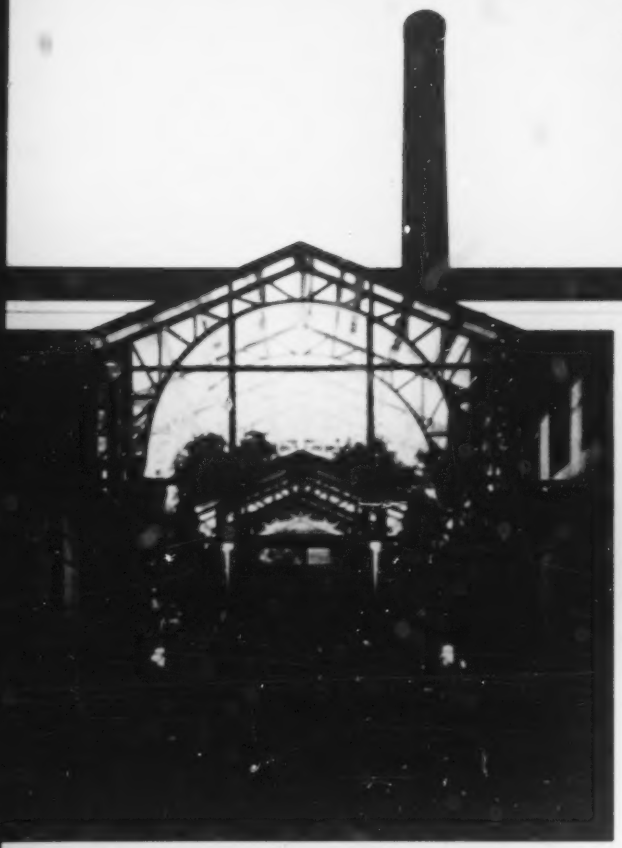
FEATURES

Best Model Homes 70

Model homes are a builder's calling card: the standard by which buyers measure quality and value. The editors of Professional Builder & Remodeler *selected these model homes based on the strength of their curb appeal, floor plans, interior design, merchandising and market acceptance.*

Trends In Commercial Renovation 90

There's money to be made in the field of non-residential rehab. In fact, reconstruction work may provide more opportunities than non-res construction in coming years. This story features four commercial structures that were successfully turned around by home builders.



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Business

■ An industry "Summit On The Potomac" generates a variety of ideas builders can use to survive this cyclical downturn *p. 13.*

Markets

■ Unusual infill sites present interesting challenges to builders: *p. 27.* Creative use of signage not only directs buyers to product, but helps create a strong identity *p. 32.*

Management

■ Low-volume companies need to implement sophisticated controls when managing subs to assure quality and profitability: *p. 39.* One builder is making an effort to protect the environment by offering a recycling unit as a standard item: *p. 44.*

Marketing

■ By fully understanding human behavior patterns, model home salespeople can craft an approach that will convert lookers into buyers: *p. 57.*

Technology

■ Recent court cases have put wetlands issues back on the front burner: *p. 105.*

Next Issue

■ In the November 15th issue, the editors select the "Best In American Remodeling," offer tips on creating a business plan and spotlight adaptable designs for kitchens.

■ MONEY

Financial Services Delivery To Alter Design

By Allan G. Bortel, Chartered Financial Analyst, Vice President, Sutro & Co.

A recent cover of *Business Week* depicted a traditional hearth scene—an Early American couple sitting by their home computer, the wife wearing a kerchief and sewing a sampler, the husband at the keyboard of the PC (holding the "mouse"). Hanging on the wall above the machine is another sampler with the words: A PC In Every Parlor.

While the husband may very well be playing a game on the computer, the possibility is strong that he could be earning a living, learning a new skill, tapping into an information source or moving around the family's financial resources.

Given the title of this monthly column, MONEY, we are focused on the economic use of the home PC, the appliance, which in the 1980s found its way into one in four homes in the U.S. But the PC is only part of the computer chip revolution and how we are accepting this new technology into our financial well being and into our homes.

Builders and remodelers must merge interactive technology with a proactive business plan.

So far, home builders and remodelers have largely ignored the integration of financial services delivery systems into the design of living space. The home computer, the fax and copy machine, as well as the telephone and its answering machine, are all part of the computer chip era. This revolution affects how we handle or move our financial resources—invest in securities, obtain or refinance loans, pay bills, receive income (salary, interest, dividends, etc.) and file income taxes.

Perhaps the revolution in financial services is most apparent to us in recent advances in telephone technology, such as voice mail and access to our answering machines from a touch tone phone anywhere in the world. From the airlines to credit cards, band and brokerage services, information is now delivered by robot voices dictating which buttons to push on the 12-key phone pad.

Information delivery, however, is not a one-way street. The same key pad can be used by the customer to activate a service beyond ordinary inquiry about transportation, a credit or debit balance, or which checks have cleared your bank account. The technology exists to purchase and print airline tickets, a daily newspaper, even a coupon book.

Now, Mr. and Ms. Builder or Remodeler, where does all this interactive technology fit into your pro-active business plan? Wiring? Built ins? Traffic flow? Marketing? Those are obvious, but the delivery of financial services in our homes will keep coming whether or not you choose to adapt to it.

Builders Report Drop In Confidence, Model Traffic

According to the latest results of a monthly builder panel survey, confidence in the market, already at depressed levels this summer, has continued to drop slightly.

The survey, commissioned by *Professional Builder & Remodeler* and Owens Corning Fiberglas, was conducted in August-September 1990. The results indicate that only one in five builders anticipates that local market conditions will improve. By way of comparison, over half of all builders were optimistic at the start of the year.

In the next three months, do you think that new housing/remodeling business in your area will be:

	Apr.-May	June-July	Aug.-Sept.
Better?	39.6%	23.7%	19.6%
Worse?	8.9%	13.4%	18.6%
Same?	51.5%	62.9%	61.8%

Source: Contractor Tracker Study

Over half of builder respondents said that model home traffic was down from the same period a year earlier, while one in four said it was keeping pace with 1989 levels. However, back in February, nearly eight of 10 builders reported that traffic was meeting or beating year-earlier levels.

Those builders reporting increases in model home traffic said it was up by 19.1%. Builders reporting decreases in traffic said it was off by 31.5%.

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INDICATORS

New Home Sales Are Firming

Remodeling shows growth, while prices stabilize.

Commerce Department figures for August show new home sales dipped only slightly in the immediate wake of the Iraqi invasion of Kuwait. In contrast to the sharp drop in consumer confidence levels and the spike up in mortgage interest rates, the steady pace of new home sales suggests that prospective home buyers are looking beyond the uncertainties.

The seasonally adjusted annualized rate of new home sales during the month of August totaled 550,000 units.

This rate was only 1.4% lower than the level recorded in March and was above the depressed rates of April and May. It is encouraging that there has not been a "knee-jerk" reaction to bad news.

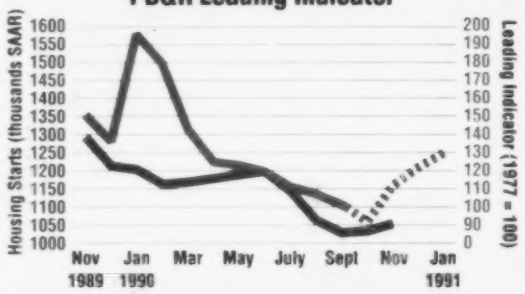
Land Price Escalation Exceeds Inflation In 60% Of Cities

A recent survey conducted by the Urban Land Institute shows the extent to which both levels and recent rates of change in residential land prices vary from area to area. In looking at residential lot prices in 30 cities nationwide, ULI found the average annual rate of price change for a standard improved 10,000-square-foot lot was 6.4% between 1985-1990. During the same five-year period the inflation rate, as measured by the government's consumer price index, rose 3.7% annually.

Lot price increases in 18 of the 30 cities surveyed matched or exceeded inflation. The sharpest increases over the final five years of the last decade were recorded in San Jose, San Diego and Seattle. Absolute declines in the price of a residential lot were documented in three areas—Houston, New Orleans and Louisville.

The recent slowdown in home price appreciation throughout most of the nation suggests that we are likely to see smaller annual increases in lot prices throughout the first several years of this decade. Nevertheless, the price of an improved lot will likely continue to increase faster than the inflation rate in areas with strong economies (including cities like Seattle and Portland) and in areas where the supply of buildable land is increasingly scarce or the development process is over regulated (including much of the Northeast and Florida).

PB&R Leading Indicator

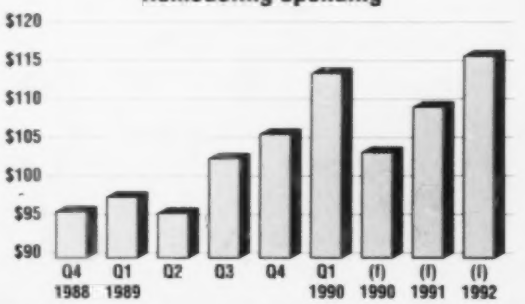


Broken line denotes forecast. Leading Indicator of Housing predicts short-term changes in residential construction over approximately the next quarter. Latest figure is based on November data and includes the Standard and Poor's h-b stock index, 90 day T-bills, bank reserves, consumer confidence index and the ratio of homes for sale to those sold. Prepared exclusively for PB&R by Cahners Economics.

Regional Market Conditions
(Year-to-Date Trends)

	S-F Home Permit $	Average S-F Permit Value	Remodeling Permit $	Employment Change
Hartford	-23.8%	$107,396	-18.6%	+0.1%
Pittsburgh	+10.1%	$105,050	+26.0%	+2.2%
Charlotte	+10.9%	$80,190	+16.6%	+3.5%
Nashville	-6.1%	$75,456	-5.7%	+0.3%
New Orleans	-5.8%	$65,387	+33.5%	+0.1%
Columbus	+13.1%	$99,361	+47.0%	+3.7%
Kansas City	+5.6%	$96,664	-15.3%	+3.0%
Phoenix	+1.2%	$104,631	-1.8%	+3.2%
Seattle	+5.0%	$113,733	+25.3%	+4.1%

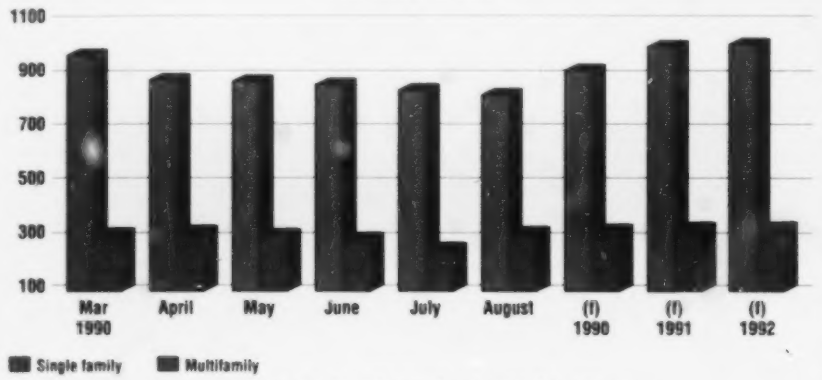
Remodeling Spending



Data in billions of current dollars, seasonally adjusted annual rate

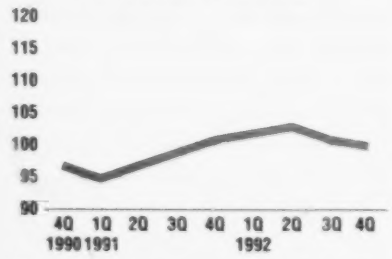
Source: Commerce Dept. Forecast by Cahners Economics

Housing Starts



Data in thousands of units, seasonally adjusted annual rate. Source: Commerce Dept. Forecast by Cahners Economics.

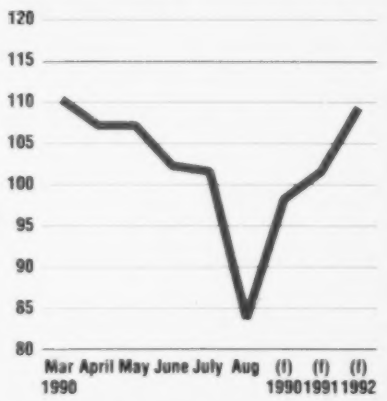
PB&R Market Forecast Of Building Activity



1987 = 100. Market forecast is a weighted average of residential, remodeling, and light, nonresidential construction spending.

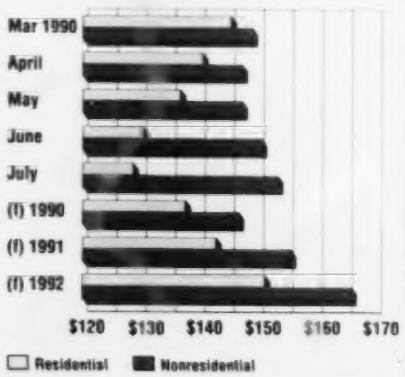
Source: Commerce Dept. Forecast by Cahners Economics.

Consumer Confidence Index



1985 = 100. Source: University of Michigan. Forecast by Cahners Economics.

Residential vs. Nonresidential Spending



Data in billions of current dollars, seasonally adjusted annual rate. Source: Commerce Dept. Forecast by Cahners Economics.

Key Trends At A Glance

	Aug 1990	Nov 1989
Housing starts (SAAR)	1,127,000	1,347,000
New home sales (SAAR)	548,000	687,000
Median new home price	$120,200	$125,000
Fixed-rate mortgages	10.27%	9.77%
Remodeling permit trend	+3.7%	+5.6%
Construction wage trend	+1.7%	+3.2%
Consumer confidence (1985=100)	83.8	115.1

Remodeling Outpaces New Construction

Through the first eight months of 1990, permit values for residential remodeling projects have continued to show growth over the same period of a year ago. Cumulative values for permitted residential addition, alteration and conversion work through August 1990 are 2.6% above the eight-month total for 1989.

Although growth has slowed this year throughout almost all new construction markets, remodeling and reconstruction work has held up comparatively well. Permit values for nonresidential reconstruction work are running 1.1% above the year-ago pace through the first two-thirds of 1990.

Median, Average Home Prices Stabilizing

The August 1990 inventory of new homes on the market totals 7.7 months supply at the current sales rate. Even with the severe contraction in new residential construction during the past year, the current inventory is 1.4 months larger than just twelve months ago.

During August 1990, the median price of new homes sold was $120,200—virtually unchanged from the median price of all single-family new homes sold during 1989, and more than 2% below the price of homes sold during August 1989.